

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

C O N F I D E N T I A L STATE 179786

EXDIS

E.O. 11652:

TAGS:

SUBJECT: KUWAITI OIL PLANS AND OPINIONS

REF: KUWAIT 3283

1. DEPARTMENT WELCOMES INFORMATION AND VIEWS CONTAINED
REFTEL. ANY FURTHER NEWS OR DEVELOPMENTS EMBASSY CAN
DEVELOP REGARDING KUWAITI INTENTIONS FOR THE 500,000 BD
OF UNSOLD OIL AND GOK PRODUCTION PLANS FOR FOURTH QUARTER
WOULD BE APPRECIATED.

(GULF DENIES REPORT APPEARING AUGUST 1 PLATT'S THAT
COMPANY HAS CONCLUDED LONG TERM DEAL TO BUY A PORTION
OF UNSOLD 500,000 B/D IN ADDITION TO THE 350,000 BD IT
PREVIOUSLY AGREED TO PURCHASE.)

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2. ATEEQI'S IMPRESSIONS OF COMPANY PROFITS ARE

ERRONEOUS, PROFIT MARGIN
OF AS HIGH AS DOLS FOUR PER BARREL MIGHT OCCUR ON EQUITY
PORTION OF KUWA TI OIL, BU, NOT ON THE WEIGHTED AVERAGE
SALES PRICE THAT THE COMPANIES ACTUALLY USE. USING
WEIGHTED AVERAGE FOB COST O DOLS 9.10 WOULD REDUCE MARGIN
WELL BELOW ATEEQI'S ESTIMATE. JULY 18 IOD PROVIDES
ANALYSIS OF EUROPEAN PRODUCT PRICES AND POINTS OUT THAT
PROFIT MARGINS IN MOST MARKETS ARE BEING HELD TO LEVELS

WELL BELOW ATEEQI'S ESTIMATE BY PRICE CONTROLS AND
CONSUMER RESISTANCE. WE WOULD ESTIMATE THAT, USING
AN AVERAGE PRODUCT PRICE OF DOLS 24 PER BARREL,
AVERAOE COMPANY PROFITS AND PRODUCT IN WESTERN
EUROPE ARE NOW AROUND DOLS 2 PER BARREL.

3. HIS VIEWS ABOUT RISES IN OIL PRICES AS COMPARED
WITH THOSE IN OTHER BASIC COMMODITIES ALSO SEEM
INCORRECT. JULY 1974 TREASURY STUDY "OPEC TERMS OF
TRADE" SHOWS THAT OIL PRICES HAVE FAR OUTSTRIPPED THOSE
OF OTHER COMMODITIES SUCH AS WHEAT,COPPER, FERTILIZER,
ETC. GOK PRESUMABLY HAS COPY OF THIS STUDY.

4. DEPARTMENT'S REACTION TO ATEEQI'S SUGGESTION
RE JOINT VENTUS IN LDC'S FOLLOWS SEPTTEL. KISSINGER

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